

Message Text

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C O N F I D E N T I A L MOSCOW 15119

USDOC FOR BEWT/USSR

E.O. 11652: GDS

TAGS: ETRD, EEWT, UR, FR

SUBJECT: ECONOMIC ASPECTS OF GISCARD VISIT

1. SUMMARY. FRENCH EMBOFF INFORMED COMMATT OCTOBER 21 THAT FRENCH WERE GENERALLY QUITE PLEASED WITH ECONOMIC RESULTS OF GISCARD'S VISIT. MAJOR CONTRACTS SIGNED IN CONNECTION WITH VISIT WERE VALUED AT 2.4 BILLION FRANCS, WITH ADDITIONAL LARGE DEALS EXPECTED PRIOR TO END OF 1975. FRENCH FOUND SOVIETS CONCERNED OVER THEIR GROWING HARD-CURRENCY TRADE DEFICIT AND VERY PESSIMISTIC ON 1975 GRAIN HARVEST. FRENCH AGREED CONSIDER POSSIBILITY OF INCREASING OIL IMPORTS FROM USSR, WHICH MAY BE DIFFICULT DUE TO GENERAL DECLINE IN FRENCH OIL CONSUMPTION. END SUMMARY.

2. AS IS FREQUENTLY CASE WITH HIGH-LEVEL VISITS, SOVIETS SAVED UP NUMBER OF MAJOR CONTRACTS WITH FRENCH COMPANIES WHICH WERE SIGNED AROUND THE DATES OF GISCARD'S VISIT. THESE INCLUDED:

A) 300 MILLION FRANC CONTRACT WITH SPECHIM (USING CONOCO TECHNOLOGY) FOR OLEFINS PLANT; B) 1 BILLION RANC CONTRACT WITH ENTREPOSE FOR TOGLIATTI-ODESSA AMMONIA PIPELINE (USING WILLIAMS BROTHERS/MID-ATLANTIC PIPELINE TECHNOLOGY); C) 320 MILLION FRANC CONTRACT WITH CII FOR ELECTONIC COMPONENTS PLANT (FRENCH EMBOFF NOTED THAT ITEMS TO BE PRODUCED WRE NOT RPT NOT COCOM CONTROLLED); D) 660 MILLION FRANC CONTRACT FOR MOSCOW HOTEL; AND E) 220 MILLION FRANC CONTRACT WITH VALLOUREC
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FOR WIDE-DIAMETER PIPE.

3. OIL SALES. ACCORDING TO FRENCH EMBOFF, MAJOR FOCUS OF ECONOMIC DISCUSSIONS DURING GISCARD VISIT WAS NINE-HOUR MEETING OCTOBER 15 BETWEEN MINISTER OF FOREIGN TRADE PATOLICHEV AND FOURCADE AND D'ORNANO. DURING THIS MEETING, SOVIETS COMPLAINED, AS EXPECTED, OVER ANTICIPATED DEFICIT IN EXCESS OF 1 BILLION FRANCS IN THEIR 1975 TRADE WITH FRANCE, AND PATOLICHEV SUGGESTED THAT FRENCH INCREASE THEIR OIL IMPORTS FROM USSR. D'ORNANO REPORTEDLY POINTED OUT THAT TOTAL FRENCH OIL IMPORTS WERE DECLINING BUT, NONETHELESS, FRENCH IMPORTS FROM USSR IN 1975 WOULD AMOUNT TO 2.5-2.8 MILLION METRIC TONS COMPARED WITH 1.4 MILLION METRIC TONS IN 1974. D'ORNANO SUGGESTED THAT FRENCH MIGHT BE ABLE TO INCREASE IMPORTS OF SOVIET OIL BY AN ADDITIONAL 1.5 MILLION METRIC TONS IN 1976 BY CUTTING DOWN ON THEIR PURCHASES FROM OTHER SOURCES. PATOLICHEV REPORTEDLY REACTED TO THIS IDEA WITH SOME SENSITIVITY, STRESSING THAT SOVIETS DID NOT RPT NOT WANT TO CUT INTO THE MARKETS OF THE "ARAB FRIENDS." PATOLICHEV COMPLAINED, DURING THIS MEETING, ABOUT ALLEGED EFFORTS BY U.S. TO OBTAIN 15 0/0 DISCOUNT ON SOVIET OIL AND "CONGRATULATED" FRENCH ON BEING MORE "BUSINESSLIKE" IN THEIR APPROACH.

4. GRAIN SALES. ACCORDING TO FRENCH EMBOFF, PATOLICHEV ASKED FOURCADE AND D'ORNANO WHY EUROPEAN COMMUNITIES HAD NOT BEEN WILLING TO SELL MORE GRAIN TO USSR DURING 1975. WHEN FRENCH MINISTERS POINTED OUT THAT EC COUNTRIES HAD "ALSO" HAD POOR 1975 HARVEST, PATOLICHEV WENT OFF INTO A LONG AND OFTEN EMOTIONAL DESCRIPTION OF HOW BAD 1975 SOVIET HARVEST HAD BEEN. ACCORDING TO FRENCH EMBOFF, FOLLOWING THIS MEETING FRENCH CONCLUDED THAT CIA ESTIMATES OF SOVIET HARVEST HAD BEEN CORRECT.

5. ALUMINUM PROJECT. WHILE GISCARD WAS IN MOSCOW, DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV WAS IN PARIS, DURING WHICH TIME HE MET WITH PECHINEY OFFICIALS FOR DISCUSSIONS OF ALUMINUM PROJECT. FRENCH EMBOFF SAID FRENCH WERE DISAPPOINTED THAT THERE HAD BEEN NO MOVEMENT ON ALUMINUM PROJECT DURING SUMMIT, BUT HE ADDED THAT FRENCH WERE OPTIMISTIC THAT ONE PART OF THIS DEAL WOULD BE CONCLUDED BEFORE END OF 1975. HE CONFIRMED PREVIOUS REPORTS THAT SOVIETS HAD SUBSTANTIALLY SCALED DOWN EXTENT OF PROPOSED FOREIGN PARTICIPATION IN ALUMINUM INDUSTRY DEVELOPMENT AND NOTED THAT THAT SPECIFIC DEAL WHICH PECHINEY NOW HOPED TO CONCLUDE WAS VALUED CONFIDENTIAL

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AT ABOUT 1.2 BILLION FRANCS (COMMENT: THIS WOULD BE FAR CRY FROM 6 BILLION FRANC PROJECT WHICH PECHINEY WAS ORIGINALLY DISCUSSING. HOWEVER FRENCH APPEAR TO BELIEVE THAT SOVIETS HAVE DECIDED TO APPROACH ALUMINUM PROJECT IN STAGES AND, CONSEQUENTLY, PECHINEY'S SUCCESS IN CONCLUDING INITIAL CONTRACT FOR PART OF OVERALL PROJECT WOULD OPEN POSSIBILITY FOR LARGER CONTRACTS DOWN THE ROAD. END COMMENT)

6. NORTH STAR. DUE TO INTEREST OF FRENCH FIRM GAZOCEAN IN POSSIBILITY OF SUPPLYING LNG TANKERS FOR NORTH STAR PROJECT, FRENCH RAISED THIS SUBJECT WITH SOVIETS. THEY REPORTEDLY FOUND THAT SOVIETS WERE UNCERTAIN OF HOW AND WHETHER THIS PROJECT WOULD DEVELOP. SOVIETS TOLD FRENCH THAT THEY HAD SOME DOUBTS ABOUT TECHNICAL FEASIBILITY OF PROJECT, PARTICULARLY RUNNING PIPELINE ACROSS WHITE SEA. SOVIETS ALSO INDICATED, MUCH TO FRENCH SURPRISE, THAT THEY WERE THINKING ABOUT LOCATING LIQUIFICATION PLANT AT HEAD OF PIPELINE RATHER THAN AT PORT, AN IDEA WHICH FRENCH BELIEVE IS TECHNICALLY IMPOSSIBLE. IN ADDITION, SOVIETS TOLD FRENCH THAT THEY WERE THINKING ABOUT POSSIBILITY OF CONVERTING NATURAL GAS INTO METHANOL AT PORT IN VIEW VERY SUBSTANTIAL SAVINGS IN SHIPPING COSTS WHICH THIS APPROACH WOULD INVOLVE.

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